

Kentucky Power Company

REQUEST

Refer to the response to the Staff's First Request, Item 32, page 2 of 2. Does Kentucky Power agree that the charitable contributions recorded in accounts other than Account No. 426 should be excluded for rate-making purposes? Explain the response.

RESPONSE

Yes. These amounts were recorded in error to Accounts 921 and 930.

WITNESS -- Errol K. Wagner

Kentucky Power Company

REQUEST

Refer to the response to the Staff's First Request, Item 37, page 2 of 2. Identify the account where the property taxes related to non-utility property were recorded. Does Kentucky Power agree that these taxes should be excluded for rate-making purposes? Explain the response.

RESPONSE

The account number where the property taxes related to non-utility property was recorded was account number 408.

Yes. The property related to these taxes are non-utility property.

WITNESS – Errol K. Wagner

Kentucky Power Company

REQUEST

Refer to the response to the Staff's First Request, Item 40. For each allocation factor listed in the jurisdictional plant and expense allocation study, as provided in the Application, Section V, Schedules 5 through 19, define the factor, explain how the factor is calculated, and describe the transactions to which the factor is normally applied.

RESPONSE

The page after Section V, Schedule 19 titled Kentucky Power Company, Jurisdictional Allocation Factors, Test Year Twelve Months Ended 6/30/2005 gives a description, the retail percentage and the schedule number where the allocation factor was calculated. The only other allocation factor used in the retail cost allocation study is a factor titled SPECIFIC. The SPECIFIC allocation factor is either 100% Kentucky Retail Jurisdiction or on the schedule it will explain how the SPECIFIC allocation factor was calculated.

WITNESS – Errol K. Wagner

Kentucky Power Company

REQUEST

Refer to the response to the Staff's First Request, Item 42, pages 3 through 5 of 9. Provide a transaction summary of the expenses billed to Kentucky Power by AEPSC for each of the accounts listed below. The transaction summary should contain a description of the expenses being billed by AEPSC.

- a. Account No. 5000000 – Operation, Supervision, and Engineering, page 3 of 9.
- b. Account No. 5120000 – Maintenance of Boiler Plant, page 3 of 9.
- c. Account No. 9030001 – Customer Orders and Inquiries, page 4 of 9.
- d. Account No. 9200000 – Administrative and General Salaries, page 4 of 9.
- e. Account No. 9230003 – AEPSC Shard Service Billing, page 4 of 9.

RESPONSE

- a. Please see attached pages labeled Item 103-A for account 5000000
- b. Please see attached page labeled Item 103-B for account 5120000
- c. Please see attached pages labeled Item 103-C for account 9030001
- d. Please see attached pages labeled Item 103-D for account 9200000
- e. Please see attached pages labeled Item 103-E for account 9230003

WITNESS -- Errol K. Wagner and Sandra S. Bennett

Kentucky Power Company
 Account No. 5000000 - Billed from AEPSC

<u>AEPSC Activity</u>	<u>Employee Labor & Expenses</u>	<u>Outside Services</u>	<u>Materials & Supplies</u>	<u>Transportation</u>	<u>Overheads</u>	<u>Other</u>	<u>Total</u>
Adm Leases/Rental Agreemts						184.70	184.70
Compile/Verify/Enter Time Shts	56.45			0.75	14.34		71.54
Conduct Unreg Business Dvipmt	20.97						20.97
Conduct Research/Development	692.23		3.15		242.74		938.12
Construct New Gen Facil	1,731.28	3.01	1.11		1,523.44		3,258.84
Construct Transn Ln Facilities	3,713.45		113.55	12.60	523.71		4,363.31
Deliver Training/Learning	1,179.11			36.68	279.36		1,495.15
Dept Overheads	1.40		53.38			4.38	59.16
Design/Dev Training/Learning	3,214.36	578.67	48.59	43.88	709.72		4,595.22
Dev/Deploy It Infrastructure						10.21	10.21
Dev/Mge Workforce Capability	320.52				527.22		847.74
Dev/Mge/Administer Staffing	768.94	10.26	0.69		409.71	1.04	1,190.64
Dev/Update/Adm Acct Policies	582.60				472.31		1,054.91
Eval/Dev Supply Resources/Plns	57.15				47.83		104.98
Eval/Plan/Sch Eng Des Projs	197.35				50.52		247.87
Eval/Plan/Sch Eng/Design Projs	6,462.48	576.28	190.64	(3.68)	2,512.51	8.42	9,746.65
Interview/Evaluate Vendors	192.64				47.32		239.96
Manage Financial Risk	25.55				2.94		28.49
Manage Liability Claims	102.11						102.11
Manage Project-New Plant	109.89	1,923.09	10.16		13.38		2,056.52
Mge/Part Community Relations	714.27	169.33	0.12	0.31	588.98	320.86	1,793.87
Mge/Part Emp Communications	6,049.55	80.21	6.54	42.88	3,285.30	8.66	9,473.14
Mge/Part Env Pub Policy Issues	301.93				55.95		357.88
Mge/Part in Regulatory Affrs	10,683.78	20.72	0.31		8,418.84		19,123.65
Mge/Part Public Relations	33.69				16.02		49.71
Mge/Part Public Policy Issues			1.44				1.44
Mkt Coal Combustn By Products	906.18		73.43	19.66	308.44		1,307.71
Oper Gas Pipeln/Storage Facs						78.74	78.74
Order Matls/Eqpmt/Supplies	7.52	8.41	0.98			77.26	94.17
Participate In Proc Imprvmt	66,083.38	6,347.60	203.00	412.60	8,422.05	52.75	81,521.38
Participate In Trng/Learning	37,287.40	550.72	434.00	(46.42)	10,332.81	24.19	48,582.70
Perf Environmental Assessment	161.59						161.59
Perf Internal Audits	3,692.51		0.93	0.65	1,311.13		5,005.22
Perf It Preventv Maintenance	293.34			3.37	64.05		360.76
Perf Permt Reg Compliance-Air	48,901.10	145.57	512.15	88.73	14,552.90	255.90	64,456.35
Perf Permt Reg Compliance-Wste	6,407.81	32.16	27.40	12.28	1,760.34	136.23	8,376.22
Perf Permt Reg Compliance-Wtr	62,162.68	1,063.18	4,369.25	397.47	17,966.68	623.88	86,583.14
Perf Predictive Maint	468.22		29.50	19.55	133.97	445.63	1,096.87
Perf Pricing Analyses	44.17				15.49		59.66
Perf Prvntve Maint-Plant Eqp	17,646.05	3,327.09	3,661.66	529.56	5,281.97	788.34	31,234.67
Perform Owned Asset Accounting	158.16			2.00	59.40	5.42	224.98
Plan/Mge/Adminstr Labor Relns	79.53			0.73	9.52		89.78
Prep Lng Term Financial Plans	835.74	14.45	0.97		320.50		1,171.66

Kentucky Power Company
 Account No. 5000000 - Billed from AEPSC

<u>AEPSC Activity</u>	<u>Employee Labor & Expenses</u>	<u>Outside Services</u>	<u>Materials & Supplies</u>	<u>Transportation</u>	<u>Overheads</u>	<u>Other</u>	<u>Total</u>
Prevent Maint-Telecom Sys/Equip						7.05	7.05
Process Invoices	438.41		115.46		43.94	2.19	600.00
Prod Eng/Des Drwngs-New Plt	453.37				83.28		536.65
Prod Eng/Des Drwngs-Plt Mods	2,872.24	609.94			797.30		4,279.48
Prod Eng/Desgn Docs-Plant Mods	1,095.12				236.71		1,331.83
Prov IT Application Solutions	1,648.97	697.89	59.27		670.32		3,076.45
Prov Office/Station Supplies	89.70		91.93			2.34	183.97
Prov Tech Economic Evaluatn	7,321.91		9.38		1,408.20		8,739.49
Prov Tech Supp-Plant Mods	220,249.31	13,778.78	976.09	139.88	63,963.14	(1,777.06)	297,330.14
Provide Boiler H2O Feed		826.00					826.00
Provide Building Utilities	0.22						0.22
Provide Engineering Svcs	40,071.68	4.17	37.85	278.03	6,625.62	2.29	47,019.64
Provide Fossil Plant Services	81,085.64	18,434.77	9,407.88	517.84	12,999.81	13,146.00	135,591.94
Provide Fuel/Air Feed						135.27	135.27
Provide Housekeeping Support	37.14						37.14
Provide Sorbent Handling						192.68	192.68
Provide Steam	691.36		90.05		183.04	1.96	966.41
Provide Tech Supp-New Plant	31.86				6.31		38.17
Repair And Maintain Buildings	61.57						61.57
Review/Eval Emp Performance	90.48		0.91	0.73	11.50		103.62
Supp/Part-Ind/Prof/Trade Assn	6,847.69	5.17	3.77	9.52	2,357.01	1,790.71	11,013.87
Bid/Award/Mge Cntrcts/Svc Orders	10,408.72	762.10	2.96		5,772.01	352.30	17,298.09
Develop/Administer Long Range Business Plans	2,307.58		30.09	2.82	1,722.49	(0.94)	4,062.04
Dev/Meas/Analyze Org Performance	7,080.83				3,355.93		10,436.76
Dev/Mge/Administer EEO/AA Prog/Plans			21.22				21.22
Dev/Mge/Administr Industrial Hygiene Programs	4,461.79	455.12	1,516.34	92.02	1,401.10	342.10	8,268.47
Dev/Mge/Administr Safety Programs	2,701.54	222.42	1,102.16	59.52	518.48	5.19	4,609.31
Dev/Mge/Part In Relocation Effort	9,548.06				48.95	125.62	9,722.63
Dev/Monitor/Analyze Budgets	11,975.68		0.51		6,509.09	10.05	18,495.33
Ensure Safety Compliance For Dams						0.38	0.38
Mge/Dev/Promote Positive Emp Relations	124.15	232.17	45.65	15.65	2.96		420.58
Mge/Part Video/Photo/Design Services	447.73		5.69		47.48		500.90
Perf Corrective Maint-Plant Equip	5,666.03	957.11	389.48	84.36	1,601.76		8,698.74
Perf Strategic Planning Analysis	16,396.39	(6.90)	24.15		5,537.50	31.09	21,982.23
Plan/Sch/Coord Maint/Modifications	153.61		11.82		14.15		179.58
Prep Internal Financial Rpts Studies	2,809.76				1,571.51		4,381.27
Prov Printing/Reproduction/Typesetting		11.76					11.76
Prov Steam/H2O To Electric Conversion	14.62		9.19	0.68	0.82		25.31
Internal Support Costs					25,874.33		25,874.33
Total	719,530.24	51,841.25	23,694.80	2,774.65	223,646.13	17,395.83	1,038,882.90

Kentucky Power Company
 Account No. 5120000 - Billed from AEPSC

<u>AEPSC Activity</u>	<u>Employee Labor & Expenses</u>	<u>Outside Services</u>	<u>Materials & Supplies</u>	<u>Transportation</u>	<u>Overheads</u>	<u>Other</u>	<u>Total</u>
Perf Permt Reg Compliance-Air	79,488.48	8,383.00	0.00	1,324.26	9,153.54		98,349.28
Prov Tech Supp-Plant Mods	279.35		4.49				283.84
Provide Boiler H2O Feed	23,773.40				4,636.19		28,409.59
Provide By-Product Disposal	1,688.72			87.96	243.21		2,019.89
Provide Engineering Svcs	160.98						160.98
Provide Fossil Plant Services	542,202.03			7,302.00	61,772.40	22.78	611,299.21
Provide Fuel Handling	60,495.85			86.97	16,011.04		76,593.86
Provide Fuel/Air Feed	40,767.23			39.04	7,769.06		48,575.33
Provide Heat Rejection	4,328.80				630.87		4,959.67
Provide Steam	137,359.04			167.06	33,934.34		171,460.44
Dev/Mge/Adminstr Safety Programs	203.13	106.73	1.64	1.03		2.39	314.92
Internal Support Costs					28,752.39		28,752.39
Total	890,747.01	8,489.73	6.13	9,008.32	162,903.04	25.17	1,071,179.40

Kentucky Power Company
 Account No. 9030001 - Billed from AEPSC

<u>AEPSC Activity</u>	<u>Employee Labor & Expenses</u>	<u>Outside Services</u>	<u>Materials & Supplies</u>	<u>Transportation</u>	<u>Overheads</u>	<u>Other</u>	<u>Total</u>
Adm/Part In Labor Grievances	132.95			(2.75)	87.46		217.66
Construct Dist Ln Facilities	(30.59)			(0.43)	(20.31)		(51.33)
Coord/Perf Undergrnd Locates	181.31			1.88	125.59		308.78
Deliver Training/Learning	6,522.37		1.81	104.96	4,183.15	0.86	10,813.15
Design/Dev Training/Learning	10,624.32	11.90	21.77	180.22	7,055.80	12.77	17,906.78
Dev/Deploy It Infrastructure	4,330.72		66.60		2,778.42		7,175.74
Dev/Mge Workforce Capability	28,640.98			439.61	19,122.94		48,203.53
Dev/Mge/Admin Employee Comp	542.39			5.95	365.20		913.54
Dev/Mge/Administer Staffing	1,418.13	153.65	197.58	22.54	970.77		2,762.67
Handle/Deliver Mail	111.15			2.31	73.73	2.65	189.84
Interview/Evaluate Vendors	208.10			1.15	129.27		338.52
Maintain Dist Right-Of-Way	32.88				30.37		63.25
Mge/Part Community Relations	585.09			8.71	356.61		950.41
Mge/Part Educational Svcs	42.88			0.78	32.98		76.64
Mge/Part Emp Communications	2,836.26			30.28	1,913.58		4,780.12
Mge/Part Public Relations	24.81						24.81
Operate Telecom System	9,304.32	9.71	65.90		6,172.22		15,552.15
Order Malls/Eqpm/Supplies	16.23		7.45		10.58		34.26
Participate In Proc Imprvmt	19,174.39	21.97	6.96	192.05	11,247.29		30,642.66
Participate In Trng/Learning	22,304.93	204.99	16.82	157.82	13,854.61	11.74	36,550.91
Plan/Mge Emp Career Developmt	415.85			(6.16)	283.59		693.28
Print/Package/Deliver Bills		385.72					385.72
Proc Payrl-Exempt/Non-Exempt	201.59				132.40		333.99
Process Customer Payments	10.91						10.91
Process Invoices	743.93			(0.26)	494.65		1,238.32
Prov IT Application Solutions	5,496.89				3,664.49		9,161.38
Provide End User Support	6,956.80			82.39	4,728.79		11,767.98
Provide IT Technical Support	4,643.09				3,098.46		7,741.55
Provide Records Document Mgmt	3,986.90			54.17	2,642.42		6,683.49
Respond To Cust Inquiries	(0.43)						(0.43)
Review/Eval Emp Performance	17,371.66	19.87	182.92	103.53	10,154.65		27,832.63
Supp/Part-Ind/Prof/Trade Assn	371.16	0.35			118.55	159.34	649.40
Support Cust Inquiries/Reqsts	1,189,710.68	106,892.15	10,918.53	9,461.51	792,733.12	108,980.41	2,218,696.40
Develop/Administer Long Range Business Plans	904.72		0.79	0.64	494.31		1,400.46
Dev/Facilitate Change Mgt-Strategic Diversity	361.21			3.76	260.77		625.74
Dev/Meas/Analyze Org Performance	14,986.33	263.02	34.70	208.89	9,824.92	1.42	25,319.28
Dev/Mge/Adminstr Safety Programs	687.06	6.15	87.98	4.05	302.54		1,087.78
Dev/Mge/Adminstr Service Level Agreemts	16.64				12.13		28.77
Dev/Mge/Part In Relocation Effort	26.03				13.00		39.03
Dev/Monitor/Analyze Budgets	2,037.93			5.39	1,395.47		3,438.79
Forecast Call Volume/Schedule Work Force	18,179.64	93.23	11.72	6.80	11,385.56		29,676.95

Kentucky Power Company
 Account No. 9030001 - Billed from AEPSC

<u>AEPSC Activity</u>	<u>Employee Labor & Expenses</u>	<u>Outside Services</u>	<u>Materials & Supplies</u>	<u>Transportation</u>	<u>Overheads</u>	<u>Other</u>	<u>Total</u>
Manage Resolve Account Exceptions	72,206.16	130.68		41.93	47,776.40		120,155.17
Mge/Dev/Promote Positive Emp Relations	5,748.51	299.73	77.94	11.74	1,865.83		8,003.75
Mge/Supp Collections-Active Delinquencies	2,880.56	9,969.67	635.27	64.69	1,953.15	0.00	15,503.34
Perf Strategic Planning Analysis	3,932.03		45.81	24.28	2,328.88		6,331.00
Plan/Dev Account Mgmt Plan-Assigned Cust	121.74		1,870.37		60.06		2,052.17
Proc Outage Calls/Comm Status	586.55	1,656.86	157.40		382.24		2,783.05
Respond to PSC/Legislative/Cust Complaints	9,868.79			106.19	6,354.90		16,329.88
Internal Support Costs					71,746.98		71,746.98
Total	1,469,456.55	120,119.65	14,408.32	11,318.62	1,042,698.52	109,169.19	2,767,170.85

Kentucky Power Company
 Account No. 9200000 - Billed from AEPSC

AEPSC Activity	Employee Labor & Expenses	Outside Services	Materials & Supplies	Transportation	Overheads	Other	Total
Adm Leases/Rental Agreemts	18,212.22			321.98	7,376.03		25,910.23
Adm/Part In Labor Grievances	7,512.27				1,117.34		8,629.61
Assemble/Dev Sys Data/Models	441.79						441.79
Compile/Verify/Enter Time Shts	49.46			0.26	15.80		65.52
Conduct Cmmnty Econ Dvlp Evals	9,610.52			73.11	2,788.48		12,472.11
Conduct Research/Development	25,612.97				16,173.89		41,786.86
Construct Transn Ln Facilities	3,046.87			0.48	344.21		3,391.56
Coord Tax Compliance	145,363.03				49,454.22		194,817.25
Coordinate Fuel Delivery	100.35			0.11	39.53		139.99
Coordinate Tax Plng/Analysis	25,396.56				6,691.13		32,087.69
Deliver Training/Learning	1,474.31	4.13		13.07	685.55		2,177.06
Design And Manage Forms	4.53				0.84		5.37
Design/Dev Training/Learning	10,944.34			178.96	5,231.92		16,355.22
Dev Load Forecast-Short Term	41,178.03				8,621.05		49,799.08
Dev/Mge Workforce Capability	7,253.12			27.30	1,425.85		8,706.27
Dev/Mge/Admin Benefit Plans	44,417.19			0.08	2,270.32		46,687.59
Dev/Mge/Admin Employee Comp	11,931.81			41.75	470.88		12,444.44
Dev/Mge/Administer Staffing	12,401.21			7.48	1,719.33		14,128.02
Dev/Update/Adm Acct Policies	125,180.86			280.28	51,542.09		177,003.23
Eval/Dev Demand Side Progs	79.96						79.96
Eval/Dev Supply Resources/Plns	52,930.70			8.63	11,331.25		64,270.58
Eval/Plan/Sch Eng/Design Projs	444.67	322.84			131.71		899.22
Expedite Orders	3,294.18				483.29		3,777.47
Handle/Deliver Mail	79.67				12.30		91.97
Interview/Evaluate Vendors	250.23				83.64		333.87
Maintn General Ledger	954,301.71			66.94	117,733.61		1,072,102.26
Manage And Provide Branding	128.31				0.09		128.40
Manage Cash	46,185.47				15,718.85		61,904.32
Manage Financial Risk	10,879.02				3,037.62		13,916.64
Manage Fleet	385.05			6.14			391.19
Manage Forest Resources	1,291.52				139.06		1,430.58
Manage Joint Facility	918.58				131.17		1,049.75
Manage Liability Claims	61,674.91				8,520.28		70,195.19
Manage Operational Risk	290,104.48				64,526.98		354,631.46
Manage Project-New Plant	26.20	3,646.75			5.94		3,678.89
Manage Short Term Funding	31,813.16				10,225.33		42,038.49
Mge Coal Operations	227.92				49.45		277.37
Mge Disability/Absence	96.17			1.78			97.95
Mge Trust/Investments	10,927.23				3,919.83		14,847.06
Mge/Part Community Relations	55,604.63			404.87	17,413.23		73,422.73
Mge/Part Educational Svcs	7,462.27				1,652.88		9,115.15

Kentucky Power Company
 Account No. 9200000 - Billed from AEPSC

<u>AEPSC Activity</u>	<u>Employee Labor & Expenses</u>	<u>Outside Services</u>	<u>Materials & Supplies</u>	<u>Transportation</u>	<u>Overheads</u>	<u>Other</u>	<u>Total</u>
Mge/Part Emp Communications	38,883.09			1.73	8,561.15		47,445.97
Mge/Part Env Pub Policy Issues	17,586.89			(3.62)	2,074.36		19,657.63
Mge/Part In Legislatve Affrs	35,294.36			(9.32)	6,148.56		41,433.60
Mge/Part In Regulatory Affrs	118,992.44		0.00		21,932.12		140,924.56
Mge/Part Public Relations	24,139.76			4.74	4,557.98		28,702.48
Mge/Part Public Policy Issues	20,954.73			1.71	3,619.37		24,575.81
Mge/Participate Corp Financing	159,498.81				27,663.33		187,162.14
Mge/Prov Cust Communications	7,992.61				1,739.70		9,732.31
Mkt Coal Combustn By Products				0.82			0.82
Obtain/Mge Plant Licenses	20.43				2.76		23.19
Operate IT	84,289.08				18,944.95		103,234.03
Participate In Proc Imprvmt	82,236.27	1,447.17		82.72	20,482.21		104,248.37
Participate In Trng/Learning	51,417.66	0.00		71.07	12,815.74		64,304.47
Perf Coal Trading Activities	7,089.92			0.53	13.15		7,103.60
Perf Coord External Audits	9,716.01				3,115.72		12,831.73
Perf Environmental Assessment	32,092.71				4,083.73		36,176.44
Perf Info Retrieval Svcs	382.40				57.13		439.53
Perf Internal Audits	190,702.34				24,720.09		215,422.43
Perf Inventory Control	410.08			10.77	162.38		583.23
Perf It Prevntv Maintenance	140.49			0.13	51.61		192.23
Perf Permt Reg Compliance-Air	345.12				586.66	8.28	940.06
Perf Permt Reg Compliance-Wste		16.49					16.49
Perf Permt Reg Compliance-Wtr	463.05			14.91	191.89		669.85
Perf Pricing Analyses	91,091.68			0.07	19,114.58		110,206.33
Perf Prvntve Maint-Plant Eqp	4.13			0.12	1.73		5.98
Perf Transn Planning Studies	43.91				9.05		52.96
Perform Owned Asset Accounting	29,950.50			538.70	10,674.31		41,163.51
Perform Stores Accounting	356.75				133.91		490.66
Plan/Mge Emp Career Developmt	973.18				380.91		1,354.09
Plan/Mge/Adminstr Labor Relns	14,704.53				2,149.54		16,854.07
Pln/Dvlp Reg Products/Svcs	3,695.93				1,538.45		5,234.38
Prep Lng Term Financial Plans	56,636.65			714.39	19,571.01		76,922.05
Prep Oth Non-Rate Case Filngs	98,476.19				20,406.50		118,882.69
Prep/File Ext/Reg Reports	114,039.64			1.17	41,845.79		155,886.60
Prepare Fuel Filings	691.61			12.42	130.94		834.97
Prepare Rate Case Filings	37,266.24			244.67	8,546.65		46,057.56
Prevent Maint-Telecom Sys/Eqp	125.33				0.45		125.78
Print/Package/Deliver Bills	1,956.57				1,255.33		3,211.90
Proc Payrl-Exempt/Non-Exempt	(759.34)			45.36	3,528.69		2,814.71
Process Customer Payments	1,589.43			19.06	604.80		2,213.29
Process Invoices	40,812.08			110.67	14,714.49		55,637.24

Kentucky Power Company
Account No. 9200000 - Billed from AEPSC

AEPSC Activity	Employee Labor & Expenses	Outside Services	Materials & Supplies	Transportation	Overheads	Other	Total
Prod Eng/Des Dwngs-Pit Mods	418.36	96.88			92.70		607.94
Prod Eng/Desgn Docs-Plant Mods	55.97				10.53		66.50
Promote Reg Products/Svcs	3,160.14				1,147.76		4,307.90
Prov Bd Of Directors Supp	8,605.19				1,407.74		10,012.93
Prov Enhancemnts/Modificatns	612.43		1.60		41.35		655.38
Prov Individl Shareholder Supp	3,624.68				606.50		4,231.18
Prov IT Application Solutions	8,313.26	47.47	3.44		1,693.41		10,057.58
Prov Pay/Gen Bldgs Fixed Costs	90.55				6.17		96.72
Prov Tech Economic Evaluatn	2,568.78			0.75	484.36		3,053.89
Prov Tech Supp-Plant Mods	9,581.37	491.08	82.78	26.83	1,897.52	42.63	12,122.21
Prov Travel And Event Planning	6.96				1.02		7.98
Provide Continuity Planning	16,661.24			12.35	3,884.49		20,558.08
Provide End User Support	3,208.02			0.04	156.30		3,364.36
Provide Engineering Svcs	4,240.28				1,018.07		5,258.35
Provide Fossil Plant Services	15,586.48			14.22	2,488.84		18,089.54
Provide Institutional Support	26,460.00				6,144.98		32,604.98
Provide IT Engr/Design Svcs	91.38						91.38
Provide IT Planning	7,840.18			17.37	4,563.00		12,420.55
Provide IT Resources	84.78						84.78
Provide IT Technical Support	14.69						14.69
Provide Records Document Mgmt	5,834.75				1,116.30		6,951.05
Provider/Mge Security Services	23,543.68				4,935.81		28,479.49
Purchase Property	5,805.08				901.04		6,706.12
Repair And Maintain Buildings	5,928.02	10.14	1.05	68.27	6.09	4.22	6,017.79
Resp To Rate Case Requests	46.83				5.54		52.37
Review/Eval Emp Performance	1,365.02			0.70	295.66		1,661.38
Secure Distn RW And Permits	3,376.44			16.62	424.73		3,817.79
Secure Transn RW And Permits	3,958.00				596.31		4,554.31
So2 Allowance Trading	1,609.81			0.56	836.51		2,446.88
Supp/Part-Ind/Prof/Trade Assn	34,626.92				15,581.85		50,208.77
Support Cust Inquiries/Reqsts	857.39				151.57		1,008.96
Telecom Technical Supp	104.08						104.08
Troubleshoot/Repair It Sys	13.85						13.85
Anlyze/Assess Interregional Trans System	7,570.27				1,189.25		8,759.52
Bid/Award/Mge Cntrcts/Svc Orders	20,524.84	3,833.06		(1.68)	5,074.62		29,430.84
Conduct Code Of Conduct Invest	25,805.88	0.00	0.00		3,712.05		29,517.93
Coord Tax Actng/Regulatory Support Svcs	42,115.34				13,351.64		55,466.98
Design/Dev/Intro New Systems/Applications	4,831.06			0.46	1,455.99		6,287.51
Develop/Administer Long Range Business Plans	18,907.40			15.26	22,590.64		41,513.30
Dev Gen Fuel Consumption Forecst	13,367.48				2,923.44		16,290.92
Dev/Facilitate Change Mgt-Strategic Diversity	49.36		0.00	0.13	15.84	0.00	65.33

Kentucky Power Company
 Account No. 9200000 - Billed from AEPSC

<u>AEPSC Activity</u>	<u>Employee Labor & Expenses</u>	<u>Outside Services</u>	<u>Materials & Supplies</u>	<u>Transportation</u>	<u>Overheads</u>	<u>Other</u>	<u>Total</u>
Dev/Meas/Analyze Org Performance	20,412.63				3,950.84		24,363.47
Dev/Mge/Adminstr Industrial Hygiene Programs	46.67			1.51	12.03		60.21
Dev/Mge/Adminstr Safety Programs	3,299.23			2.77	1,590.79		4,892.79
Dev/Mge/Adminstr Service Level Agreemts	39.97				6.83		46.80
Dev/Mge/Part In Relocation Effort	2,178.34				94.59		2,272.93
Dev/Monitor/Analyze Budgets	189,196.18			1,139.65	39,144.52		229,480.35
Dvlp Targeted Commercial/Industrial Recruitment	12,786.79			11.47	4,398.01		17,196.27
Ensure Safety Compliance For Dams		37.98	(38.36)				(0.38)
Eval Diversification Opportunity	1,765.29		0.00		377.73		2,143.02
Eval/Dev Demand Side Programs	538.50				178.04		716.54
Manage Corporate Existence of AEP Companies	8,054.05				1,167.97		9,222.02
Mge Mtls/Supplies Transportation	2,896.10				379.69		3,275.79
Mge/Dev/Promote Positive Emp Relations	233.50			0.16	73.15		306.81
Mge/Part Video/Photo/Design Services	92,477.19			1,170.61	20,249.00		113,896.80
Mge/Supp Collections-Active Delinquencies	3,422.23				453.65		3,875.88
Mkt Trans/Ancil Services	30,047.60				5,161.25		35,208.85
Perf Corrective Maint-Plant Equip	132.59				23.57		156.16
Perf Regulated Energy Trading Activities	435.88				460.95		896.83
Perf Strategic Planning Analysis	496,596.70	0.00	0.00	(14.82)	235,733.75		732,315.63
Plan/Sch/Coord Maint/Modifications	3,238.53				368.55		3,607.08
Prep Internal Financial Rpts Studies	7,664.91			6.19	2,720.62		10,391.72
Proc Other Accts Receivables	9,723.34			5.97	2,922.53		12,651.84
Prov Printing/Reproduction/Typesetting	2,494.86				378.73		2,873.59
Internal Support Costs					154,656.12		154,656.12
Total	4,612,688.06	9,953.99	48.91	5,793.03	1,292,529.22	55.13	5,921,068.34

Kentucky Power Company
Account No. 9230003 - Billed from AEPSC

<u>AEPSC Product</u>	<u>Amount</u>
800 MHz Infrastructure (O&M)	173,127.86
800 MHz Mobile Data	13,376.15
800 Mhz Radio Service	49,913.02
Blackberry Wireless E-mail	1,294.70
Business Unit Leased Printer	45,530.34
Cell / Paging Management	23,548.03
Conventional Radio Service	4,907.63
Desktop Software / Admin	221.46
E-Mail Access	15,854.03
Field Telephone Service	12,438.02
GS Corporate Stewardship	18,369.09
GS Service Corp Vacant Space	200,561.79
GS Stranded Costs	304.76
HR Centralized Services	217,590.93
HR Corporate Stewardship	156,246.03
HR Mtg & Course Facilitation	33,518.18
HR Prof Support Svcs	356,172.62
HR Project Services	45,343.40
Internet Access	7,088.70
IT Adv Perf Workstation	0.45
IT Application Development	248,584.70
IT Application Mgmt	711,193.19
IT Billable Travel	(7,777.93)
IT BU Software Acq & Maint	57,145.55
IT Classroom Rental	787.56
IT Contract Specialty	(2,576.63)
IT Corporate Stewardship	102,786.32
IT Customized Learning Progrms	1,035.61
IT Data Whse Project Work	23,935.55
IT DBA Project Work	7,330.90
IT Desktop MAC-Gold	13,110.96
IT EAI Project Work	5,870.48
IT EDI Project Work	5,272.59
IT Electronic Fax-to-Email	44.52
IT Email Account Storage	3,244.92
IT Hosting-Setup & Config	(442.38)
IT LAN Access Account Storage	30,068.62
IT Leased Printer	832.57
IT Lightweight Laptop	34,894.60
IT Midrange Desktop	99,310.16
IT Midrange Laptop	4,933.19
IT Notes/Web Development	11,843.78
IT PDA Synchronization	985.54
IT Power Desktop	4,280.07
IT Power Laptop	6,599.84
IT Ruggedized Laptop	2,790.63
IT Special Configuration	16,230.26
IT Special Disaster Recov-2004	86,878.32
IT Standard Desktop	19,248.86
IT Standard Laptop	32,052.37
IT Stranded Costs	4,814.82
IT Training Delivery	175.42
LAN Access	91,035.47
Library and Research Services	12,698.22
Mail and Supply Services	137,458.91
Mobile Data Computer	5,979.98
Office Equipment	8,171.85
PC Relocation to New User	488.44
Printing & High Speed Copying	27,073.53

Kentucky Power Company
Account No. 9230003 - Billed from AEPSC

<u>AEPSC Product</u>	<u>Amount</u>
Radio MAC	4,818.46
Records Management	2,384.19
Remote Access WAN	2,881.76
Remote Network Access	2,295.22
RTU Connectivity	63,167.32
SC System Support	348,206.75
SS Strategic Leader Corp Stew	39,953.62
TC Corporate Stewardship	53,684.14
TC LAN/WAN Connectivity Svc	128,017.93
TC Special Services	149.38
TC Stationary Cellular Service	5,499.13
TC Telephone Service	67,470.69
TC Trunked Radio RTU	1,540.00
Telephone Infrastructure (O&M)	60,188.22
Travel & Event Planning	2.96
Video Conferencing Service	5,293.69
Voice & Data MAC	10,356.97
Misc. Labor & Employee Expenses	1,831.89
Misc. Outside Services	8,744.68
Misc. Materials & Supplies	773.33
Internal Support Costs	106,280.02
Misc. Other Expenses	(20,105.75)
Total	<u><u>4,077,233.15</u></u>

Kentucky Power Company

REQUEST

Refer to the response to the Staff's First Request, Item 46, page 21 of 27. Explain the purpose of Work Order No. RDCP200301, titled "R&D Program Development." Include in the explanation a discussion of why this expense should be included for rate-making purposes.

RESPONSE

Work Order RDCP200301, titled "R&D Program Development", has multiple uses. The majority of the charges to this work order are for the general, overall support of the R&D program. This includes the day-to-day management, reporting and support of the program. A much smaller portion is for projects that are in the planning stage and it has not been determined which portion of the business they will benefit (Transmission, Distribution or Generation) and therefore, a specific work order has not been set up yet. Since these charges support the Company's overall R&D program, which generally speaking increases efficiency and lower cost to retail customers, they should be included for rate-making purposes.

WITNESS – Errol K. Wagner and Sandra S. Bennett

Kentucky Power Company

REQUEST

Refer to the response to the Staff's First Request, Item 50, pages 47 through 51 of 139.

- a. Based upon the actuarial valuation report, would it be a correct interpretation of the information that Kentucky Power's pension costs are expected to decrease in 2006 when compared to the 2005 levels?
- b. If yes to part (a), has Kentucky Power proposed an adjustment to its test-year expenses to recognize this reduction? Explain the response.

RESPONSE

- a. The projections of pension expense in the actuarial report are useful for high level planning purposes, however, they contain too much uncertainty to allow them to be used to modify the test year actual expenses. The actual future expense will be different from the projections due to changes in interest rates, variances in the actual rate of return on assets achieved versus what is expected, changes in employee demographics, the amount of contributions to the pension plan, and fluctuations in retirement rates, mortality rates, and salary increases. In addition, there may be future changes in accounting standards that would affect the reported expense level, as well as changes in federal legislation that could affect the minimum amount of funding required. The projections in the actuarial report also assume that the amount of Pension Benefit Guarantee Corporation premiums for the plan will remain constant; however, there are several proposals pending in Congress that would increase the amount of the premiums (which would decrease the plan's assets and thus increase pension expense).
- b. As explained in part A., the projections of pension expense presented in the actuarial report lack the sufficient precision necessary to be useful in adjusting test year expenses.

WITNESS – Errol K. Wagner and Hugh E. McCoy

Kentucky Power Company

REQUEST

Refer to the response to the Staff's First Request, Item 51, pages 50 and 51 of 60.

- a. Based upon the actuarial valuation report, would it be a correct interpretation of the information that Kentucky Power's post-retirement, non-union benefits costs are expected to decrease in 2006 when compared to the 2005 levels?
- b. If yes to part (a), has Kentucky Power proposed an adjustment to its test-year expenses to recognize this reduction? Explain the response.

RESPONSE

- a. No. The projections of post-retirement expense in the actuarial report are useful for high level planning purposes, however they contain too much uncertainty to allow them to be used to modify the test year actual expenses. The actual future expense achieved will be different from the projections due to changes in interest rates, variances in the actual rate of return on plan assets achieved versus what is expected, changes in employee demographics, the amount of contributions to the post retirement benefit plans, and fluctuations in retirement rates, mortality rates, and salary increases. In addition, there may be changes in accounting standards that would affect the reported expense level. The projections in the actuarial report also make assumptions on rate of inflation for medical expenses, which in the past has proven to be difficult to predict. The retiree medical benefits provided by AEP works in coordination with the benefits provided by Medicare. The projections assume a constant level of benefits provided to retirees by Medicare, although changes in legislation may change the level of benefits from that program. Any changes in Medicare would result in either increases or decreases in the amount of the benefit that would be provided by the company, and could change the amount of the projected expense significantly.
- b. As explained in part A., the projections of post-retirement benefit expense presented in the actuarial report lack the sufficient precision necessary to be useful in adjusting test year expenses.

WITNESS – Errol K. Wagner and Hugh E. McCoy